



Amendment to
Project Proposal for

BOLIVIA

June 2026

Component: Revenue and Spending

Module: RM-I: Tax Policy

RM-II: Revenue Administration

SM-II: Public Financial Management



PROJECT SUMMARY

COUNTRY: Bolivia

LEAD DEPARTMENT: FAD

REGION: WHD

PLANNED DATES: FY27-28

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ESTIMATED BUDGET US\$ 460,100

BUDGET FOR ENDORSEMENT:

PROJECT AMENDMENTS:	PURPOSE	SC APPROVAL
INITIAL PROJECT PROPOSAL	Proposal for RM II: Revenue Administration	January 2025
AMENDMENT 1/1	For RM II: Revenue Administration, no-cost inclusion of new customs administration work. Addition of new modules RM I: Tax Policy and SM II: Managing Public Finances	June 2026

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ACRONYMS

CD	Capacity development
FAD	IMF's Fiscal Affairs Department
MoF	Ministry of Finance of Bolivia
PFM	Public financial management
PIT	Personal income tax
VAT	Value-added tax
STX	Short-term expert

I. PROJECT AMENDMENT PURPOSE

Country request and relevance/importance

Following the October 2025 elections and renewed authorities' engagement with the IMF, the government has requested support to design and implement tax policy reforms to mobilize domestic revenue, improve efficiency, and support macroeconomic stability. The country faces significant fiscal pressures, including external imbalances and declining hydrocarbon revenues, making revenue mobilization and expenditure efficiency critical policy priorities. The proposed CD support will help underpin the authorities' macroeconomic stabilization efforts by strengthening revenue mobilization, improving expenditure management, and supporting the sequencing and implementation of fiscal reforms.

The proposed amendment expands the ongoing project funded with Global Public Finance Partnership (GPFP) resources—currently focused on revenue administration—to include tax policy, additional revenue administration objectives, and new component for public financial management (PFM). This responds to identified gaps during the recent scoping missions and discussions with the authorities during the 2026 IMF Spring Meetings. This proposal aligns capacity development (CD) support with evolving reform priorities and potential IMF program engagement. Tax policy reforms and strengthened fiscal management will complement ongoing improvements in tax administration, thereby supporting fiscal consolidation, improving revenue performance, and preserving space for social and priority spending.

Description of Modules

The tax policy module will focus on strengthening tax policy design and institutions to support fiscal consolidation while fostering sustainable and inclusive growth. This support will contribute to the design of a comprehensive and coherent tax policy reform agenda. Key areas include rationalization of tax incentives and strengthening analytical capacity through microsimulation tools. The support will reflect authorities' priorities identified during the scoping mission in March 2026 and follow-up discussion with the authorities, focusing on sequencing reforms to enhance revenue while minimizing distortions.

The existing revenue administration module of this GPFP project works to strengthen tax administration - especially compliance risk management, IT alignment with best practices, including data governance, value-added tax (VAT) refund, and audit function modernization. This amendment adds additional scope (no cost) to the existing project focused on helping authorities modernize the Tax Procedure Code, improve dispute resolution, and consider a taxpayer ombudsperson, reflecting TADAT 2025 findings.

The PFM module will begin with a comprehensive diagnostic covering the full budget cycle, from budget preparation to execution and fiscal reporting. The diagnostic will produce a prioritized and sequenced PFM reform roadmap, aligned with the authorities' fiscal consolidation and macroeconomic stabilization strategy. Based on agreed priorities, targeted CD will be provided to strengthen core PFM processes and support the development of a medium-term orientation to budget management.

The estimated budget for this project amendment is US\$ 460,100, covered within the total budget endorsement request for Bolivia of US\$ 1,043,851 through FY28.

II. BACKGROUND

Macro-fiscal situation

Bolivia's macro-fiscal situation has deteriorated sharply, with large fiscal deficits (11.4 percent of GDP in 2025), rising public debt (around 90 percent of GDP), and persistently weak revenues amid declining hydrocarbon output and economic contraction. While the new administration has initiated a front-loaded stabilization strategy—including fiscal tightening, elimination of monetary financing, and stronger monetary policy—the economy has shifted into contraction and financing conditions remain tight, with vulnerabilities heightened by ongoing subsidy pressures and external constraints.

Restoring macroeconomic stability will require sustained fiscal consolidation, rebuilding reserves, and strengthening policy frameworks. Tax and PFM reforms will be critical to support these efforts by mobilizing revenues (tax revenue of 14.8 percent of GDP), reducing distortions, and improving expenditure control and fiscal planning. Strengthening the tax system—through base broadening,

improved design, and enhanced compliance—can provide more stable and equitable revenue sources, while PFM reforms will help anchor fiscal discipline, enhance budget credibility, and ensure efficient allocation of resources. Together, these reforms will underpin a socially sustainable fiscal consolidation, reduce reliance on ad hoc measures, and support a gradual return to growth and resilience.

Country engagement and alignment to reform priorities

The proposed amendment builds on a strengthened engagement between the IMF and Bolivia and the authorities' decision to pursue a comprehensive stabilization and reform agenda. Following the change in administration in late 2025, the authorities have initiated discussions on an Extended Fund Facility (EFF) arrangement with the IMF and are implementing an ambitious policy package aimed at restoring macroeconomic stability, addressing deep fiscal and external imbalances, and laying the foundations for sustained and inclusive growth.

The extended CD support ensures that activities remain aligned with evolving country priorities and complement ongoing work in revenue administration. Authorities have expressed commitment to advancing reforms in tax policy design, revenue mobilization, and fiscal management, consistent with macroeconomic stabilization objectives including fiscal consolidation, rebuilding international reserves, strengthening macroeconomic policy frameworks, and advancing structural reforms to enhance competitiveness and institutional capacity. By focusing on tax policy, tax administration and PFM, this CD support will help underpin the sustainability of the adjustment effort, improve the quality of fiscal policy design and implementation, and support the authorities' objective of achieving durable macroeconomic stability while protecting vulnerable groups. Given capacity constraints, reforms will need to be carefully sequenced and prioritized to ensure effective implementation and durability, while safeguarding social and priority spending.

III. PROJECT AMENDMENT MODULES - DESCRIPTION

This proposal is an amendment to an existing project. The amendment proposes CD support to Bolivia in the areas of tax policy, revenue administration and PFM. FAD CD will support improvements within the strategic objectives presented in Table 1.

Table 1. Summary of Objectives covered by the Proposal

Component	Module	Objective
Revenue	RM I / Tax Policy	- Strengthen Policy Monitoring, Evaluation, and Institutions - Improve Tax Policy Design
Revenue	RM II / Revenue Administration	Strengthen revenue administration management and governance arrangements
Spending	SM II / Managing Public Finances	Build Sustainable Fiscal Institutions

A. RM I – Tax Policy

Scope

Bolivia's tax system faces structural challenges, including distortions in the VAT and personal income tax (PIT) design, limited progressivity, fragmented regimes for small businesses, and weaknesses in the taxation of emerging sectors (e.g., digital services). The scoping mission – March 2026 - confirmed the need for a comprehensive reform strategy incorporating both revenue-enhancing and efficiency-improving measures.

This module proposes an initial one-year engagement to support authorities through analytical work and capacity building. This work will support the authorities to better analyze tax policy trade-offs (effectiveness, efficiency, equity and simplicity), contributing to the policy dialogue and identification of reforms under the IMF program. This includes developing reform proposals for rationalizing tax expenditures (including tax incentives) and strengthening tax policy analysis through microsimulation tools. Authorities have already expressed interest in support to improve the design of small taxpayer regimes and reviewing the PIT and VAT (including decoupling current integrated features), which could be covered if the project is extended to FY28. Given the high dependency of Bolivia's economy on natural resources—specifically natural gas, mining (zinc, silver, gold), and expanding lithium deposits - activities on these topics should also be expected. A medium-term engagement would allow the project to achieve the objective of improving tax policy design, including in the extractives sector.

Program Objectives

The objective is to strengthen authorities' capacity for tax policy analysis to support sustainable revenue mobilization and improve equity. This will be achieved through the development of analytical tools and the strengthening of technical skills, enabling authorities to design coherent tax reforms, improving progressivity, and aligning tax policy with macro-fiscal objectives.

Expected Results (outcomes)

Expected outcomes include (1) improved understanding of weaknesses in the current tax system; (2) enhanced analytical capacity for evaluating reforms; and (3) better alignment between tax policy and revenue mobilization objectives, contributing to stronger fiscal outcomes.

B. RM II – Revenue Administration

Scope

The current revenue administration module was approved by the GPFP Steering Committee Meeting in January 2025. The project seeks to strengthen revenue administration governance and core tax administration functions, with particular emphasis on compliance risk management (including KPIs and procedures), aligning new IT systems with international good practices, enhancing data governance and the VAT refund process, and modernizing audit functions through capacity building and training.

Consistent with the findings of the 2025 Tax Administration Diagnostic Assessment Tool (TADAT), the project aims to help modernize Bolivia's Tax Procedure Code to achieve a better balance between taxpayer rights and the powers of the tax administration, strengthen the effectiveness and efficiency of core tax processes, and provide an adequate legal basis for the digitalization of tax administration. In addition, the Tax Procedure Code will need to be updated to strengthen the administration of tax treaties, facilitate the exchange of information for tax purposes, incorporate General Anti-Abuse Rules, and introduce other measures needed to address international tax risks in line with international standards. Further reforms should include a review of dispute resolution mechanisms and consideration of a taxpayer's ombudsman function to address complaints, enhance transparency, build trust, and support voluntary compliance. This module aims to support the Bolivian Ministry of Finance (MoF) and the tax administration in these efforts.

Program Objectives

To complement the objectives outlined in the current project, this amendment aims to assist the Tax Policy unit at the MoF and the Bolivian tax administration (*Servicio de Impuestos Nacionales –SIN-*) in developing a draft bill for submission to the Legislative Assembly to adopt an updated and simplified Tax Procedure Code, redesigning the administrative dispute resolution process and including the establishment of a taxpayer ombudsperson to address complaints.

Expected Results (outcomes)

These reforms are anticipated to strengthen voluntary compliance and foster greater trust in the tax administration. Expected outcomes include (1) tax laws are updated, simplified, and better aligned with modern standards and international protocols; and (2) MoF and tax administration authorities are empowered to prepare a project bill to update the Bolivian Tax Procedure Code.

C. SM II – Managing Public Finances

Scope

Fiscal pressures are compounded by structural weaknesses across the budget cycle, including gaps in budget credibility, weak expenditure commitment controls, and limited effectiveness in cash and treasury management. Shortcomings in fiscal risk oversight—particularly regarding state-owned enterprises and decentralized entities—and the absence of a fully operational medium-term fiscal framework further undermine fiscal planning and policy credibility. Taken together, these challenges underscore the need for a comprehensive and well-sequenced PFM reform effort to restore fiscal discipline and support the authorities' stabilization strategy. As a first step, the program will undertake a diagnostic covering the full budget cycle—including budget preparation, execution (with a focus on treasury and cash management), and fiscal reporting—to identify priority reform areas. Targeted CD support will then be provided on agreed reform priorities with the objective of strengthening the core PFM processes.

Program Objectives

The diagnostic will result in a prioritized and sequenced PFM reform roadmap covering the full budget cycle, clearly identifying short- and medium-term reform actions. It will provide a detailed assessment of

weaknesses in key areas—including budget preparation and execution, commitment control, treasury and cash management, fiscal reporting, and fiscal risk oversight—and translate these into actionable recommendations. The exercise will also clarify institutional responsibilities, identify capacity constraints, and propose targeted CD interventions aligned with the authorities' reform priorities. In addition, it will serve to anchor the development of a medium-term fiscal framework and guide the design of subsequent CD activities under GPFP, including the prioritization of short-term expert missions and complementary diagnostics in areas such as public investment management and fiscal risks.

Expected Results (outcomes)

The project will strengthen Bolivia's PFM framework to support fiscal consolidation and improve fiscal policy credibility by delivering a prioritized and sequenced roadmap and guiding targeted capacity development support under GPFP. This will contribute to Bolivian authorities' ability to (1) enhance fiscal planning and budget credibility; (2) improve expenditure control, budget execution, and fiscal reporting; (3) strengthen treasury and cash management to ensure better predictability and use of resources; and (4) enhance fiscal risk oversight, particularly for state-owned enterprises and decentralized entities.

Project proposals typically cover only one to two years of CD activities, which are expected to contribute to the achievement of the objectives outlined in the sections above. The objectives of this GPFP project may require extended and ongoing support to be fully and sustainably realized. Therefore, progress reports will serve to monitor advancement towards these objectives, and it may be necessary to adjust or broaden project workplans to better facilitate the achievement of these goals.

IV. ORGANIZATIONAL ARRANGEMENTS

A. Country Engagement

The proposed amendment deepens an already strong engagement with Bolivia, expanding ongoing support in revenue administration to tax policy and fiscal management. FAD has an established relationship with authorities, including recent scoping and follow-up missions that identified priority reform areas and confirmed strong demand for continued engagement.

B. Delivery Modalities

CD will comprise of a mix of remote and in-person activities. Virtual deliveries will be used to provide efficiencies to in-person support, including pre-engagement meetings and post-follow-up meetings. The following CD activities will be delivered as a package:

- **Headquarters-led (HQ) missions and staff visits** to provide strategic recommendations, conduct regular follow-ups, assess progress, ensure STX work is aligned to plans, coordinate with other CD providers, and adjust reform implementation plans.
- **Short-term expert (STX) visits** to help implement the recommendations delivered by the HQ missions; a limited number of STXs will be assigned to provide specialized assistance in specific areas of revenue administration and public financial management. The project will seek to use Spanish-speaking experts.
- **Workshops**, during the HQ missions, staff visits, or STX visits, to share experiences, provide stakeholders with a view of progress achieved and challenges faced, and discuss with the managers and staff their views on the reforms and particular technical subjects.
- **Peer-to-peer (P2P)**: engagements designed for project beneficiaries to exchange their views and experiences undertaking specific reforms, providing opportunities for Bolivian officers to observe practices adopted by other institutions that have robust arrangements in place in specific areas.

C. Coordination / Cooperation

Partner	Coordination Type	Coordination Area	Frequency
IMF Western Hemisphere country team	Information sharing, policy consistency	Tax policy, Revenue Administration performance and reforms and macro-fiscal alignment PFM	Regular
Inter-American Development Bank, World Bank, Inter-American Center of Tax Administrations (CIAT), European Union, US Treasury's Office of Technical Assistance (OTA)	Coordination of CD activities	Tax policy and administration, data and analytics PFM	Quarterly
MoF of Spain –Institute of Fiscal Studies IEF	Information sharing	Revenue administration training program	As needed

V. RISK ASSESSMENT AND MITIGATION

Module	Description	Risk Assessment	Mitigation Measures
EXTERNAL CLIMATE/CONDITIONS			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	External events create a more challenging environment to implement reforms.	Medium	Ensure sufficient flexibility in program execution and allow for ability to adjust activities in the case of adverse events.
POLITICAL SUPPORT			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of political support could affect the pace and scope of potential reforms, given the current coalition government.	High	Provide the technical assessments and tools to the new MoF team so they can start building consensus and adequately communicate the reform to the public.
MANAGEMENT AND TECHNICAL STAFF SUPPORT AND COMMITMENT			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of trained managers and staff's rotation undermines the absorptive capacity and support for reforms.	Medium	Liaise with the MoF and Bolivian tax administration (SIN) team and provide them with necessary technical tools to ensure they can follow through complemented with continuous / regular high-level engagement and monitoring.
RESOURCE ADEQUACY			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Low capacity of the counterpart teams at the MoF, tax administration and other agencies and staff turnover may limit absorptive capacity.	High	Combine remote and in-person support to incrementally improve tax policy tools and analysis.
OTHER RISKS			
RM I - Tax Policy RM II – Revenue Administration SM II - Managing Public Finance	Lack of coordination among capacity building partners duplicate efforts and deliver contradictory advice.	Low	Take an active role in engaging with other donors to ensure support is well coordinated, especially with the Inter-American Development Bank, World Bank, Inter-American Center of Tax Administrations (CIAT), European Union, US Treasury's Office of Technical Assistance (OTA).

VI. CD DELIVERY PLAN

Table 2. Summary of Indicative CD Delivery

CD Modalities (Remote or Field-based CD)	FY27	FY28	Grand Total
RM I – Tax Policy			
HQ led CD mission	2		2
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	3		3
3RM II – Revenue Administration			
HQ led CD mission	-	-	-
STX visits	2	-	2
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	1	-	1
Subtotal	3	-	3
SM II – Managing Public Finances			
HQ led CD mission	1	-	1
STX visits	-	-	-
Staff visits	-	-	-
Workshops (inc. during HQ and remote CD)	-	-	-
Subtotal	1	-	1
TOTAL	7	-	7

Note: Collectively, the blend of CD delivery proposed over the duration of this project/program reflects the optimal balance of in-person, remote, and hybrid activities needed to achieve the project/program outcomes taking into account the needs of the country and the resources available.

Table 3. First year workplan

Timing	CD Modality	Proposed Topics of CD
RM I – Tax Policy		
Q1/FY27	Duty station-based Work	Development of Microsimulation models (includes remote CD)
Q1/FY27	Field-Based work	Free Economic Zones, Special Economic Zones and Incentives
Q3/FY27	Field-Based work	Tax expenditures
RM II – Revenue Administration		
Q2/FY27	Field-Based work	Workshop on Bolivian Tax Procedure Code update priorities
Q2/FY27	Field-Based work	Tax Laws: Tax procedure code update
Q3/FY27	Field-Based work	Tax laws: Tax procedure code update
SM II – Managing Public Finances		
Q2/FY27	Field-Based work	Budget Management Diagnostic

VII. PROGRAM FINANCIALS

Module	FY27	FY28	TOTAL (USD)
Direct Delivery			
RM I - Tax Policy	280,000	-	280,000
RM II – Revenue Administration	-	-	-
SM II - Managing Public Finance	150,000	-	150,000
Subtotal	430,000	-	430,000
Trust Fund Management Fee (7%)	30,100	-	30,100
TOTAL	460,100	-	460,100

Note: The estimated budget for this project amendment, is US\$ 460,100, and endorsement is requested for the full amount. The inclusion of new customs administration work in RM II does not require additional funding. Endorsement for future plans will be requested at a later date as funding for the program is secured and reform plans gain traction.

VIII. TARGETED LOGICAL FRAMEWORK

A. RM I – Tax Policy

Objective: Strengthen Policy Monitoring, Evaluation, and Institutions - TPM	
Outcome(s)	Indicator(s)
Improved structures (e.g., tax policy units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	Models or tools developed or improved
	Improved models to evaluate tax policy adopted

B. RM II – Revenue Administration

Objective: Strengthen Revenue Administration Management and Governance Arrangements - RAM	
Outcome(s)	Indicator(s)
Tax laws are updated, simplified and better aligned with modern standards and international protocols	Substantive provisions of the tax laws are better aligned with modern standards

C. SM II – Managing Public Finances

Objective: Build Sustainable Fiscal Institutions - SFI	
Outcome(s)	Indicator(s)
Strengthened capacity to assess core PFM functions and develop reform strategies	Completed other PFM diagnostics